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Key Business Functions

Name : _____

Class : _____ ()



Revision notes

There are six important business functions: (1) human resources management, (2) financial management, (3) operations management, (4) marketing management, (5) information management and (6) risk management.

Human resources management

- Human resources management aims to attract, develop and retain an adequate number of employees with suitable skills.
- This helps accomplish a company's goals and objectives effectively and efficiently.
- The five major human resources management tasks are:
 - 1 Human resources planning: Ensuring that a company has the right number and kinds of workers
 - 2 Recruitment and selection: Identifying and attracting capable applicants for jobs, and conducting screening
 - 3 Training and development: Improving workers' performance and capabilities.
 - 4 Performance appraisal: Evaluating workers' performance and helping them improve
 - 5 Compensation and benefits management: Providing an effective compensation system to motivate workers

Financial management

- Financial management is to acquire, use and manage funds in a company. It aims to maximise a company's wealth.
- Financial management involves three major tasks: (1) developing financial plans, (2) implementing financial plans, and (3) obtaining funds.

Developing and implementing financial plans

In developing and implementing a financial plan, a finance manager should undertake three tasks:

Step 1: Forecast the company's financial needs



Step 2: Develop budgets to meet the financial needs



Step 3: Monitor the actual figures against the financial plans

Obtaining funds

- There are two major methods of obtaining funds: equity financing or debt financing.
- Equity financing refers to funds that are supplied by the owners of a firm
- Debt financing refers to funds that are obtained from people or organisations other than the owners.

Operations management

- Operations management refers to the management of systems and processes that transform raw materials into finished goods and services.

- It ensures that goods and services are produced efficiently and meet quality standards.
- There are two major tasks for operations managers: (1) designing an effective production process and (2) inventory management and quality assurance.

Designing an effective production process

The five important tasks which are required for designing an effective production process include:

- 1 Forecasting customer demand
- 2 Planning capacity
- 3 Choosing a facility location
- 4 Designing a facility layout
- 5 Scheduling work

Inventory management and quality assurance

- Inventory management ensures that inventories are in good condition and available whenever needed.
- Quality assurance ensures that the goods and services provided by the firm are of high quality.

Marketing management

- Marketing management refers to the process of planning and executing marketing strategies to accomplish the company's objectives.
- The four marketing management tasks are planning, organising, implementing and controlling.

Marketing planning

Marketing planning includes the task of developing marketing strategies. The marketing strategies of a company consist of product, price, place and promotion (4Ps or marketing mix):

Product: the type of products or services to be offered to customers	Price: the amount customers pay for the product
Place: the distribution of the product to places where customers can buy it	Promotion: the means a company uses to promote the product

Marketing organising

Marketing organising determines how marketing activities are coordinated and organised by the company

Marketing Implementation

Marketing implementation is the process that turns marketing plans into actions

Marketing control

Marketing control is the process of measuring and evaluating the results of marketing plans.

Information management

- Information management involves collecting, processing, storing and distributing useful information by the company so that the company's management can make decisions.
- It ensures that a company's managers and workers can obtain reliable and timely information at the right time and in the right form.
- There are two major tasks, collecting data and transforming data into information. The data collected should be processed as without this they are meaningless to managers.

Risk management

- Risk management helps a company identify its exposure to various types of risk and develop methods to minimise losses from those risks.
- Risk management usually works in the following sequence:

Step 1: Identify and measure potential loss



Step 2: Choose the most efficient methods of controlling loss and implement them



Step 3: Monitor how well the risks are controlled

- There are four common strategies used to manage risks:

Risk avoidance

This refers to the elimination of the risk of loss. A company can do this by choosing not to engage in any activity which would cause loss.

Risk assumption

This means that the company bears the risk of loss. A company can use its own resources against possible future losses if the loss is insignificant or there is not another way of managing the risk.

Risk reduction

This refers to reducing the risk of loss. A company can take measures to reduce the chance of loss and lessen the impact of the loss on the business.

Risk transfer

This refers to the transfer of the risk of loss to another party. A company can transfer risks to others by making contractual agreements or by taking out insurance.

Interrelationship of business functions

- Each of the above business functions plays an important role in helping a company to accomplish its objectives. However, they are not independent of each other. They are interrelated in the company's daily operations.
- A business function can only be executed effectively with support from other business functions.
- Business functions need to work together to carry out a business plan or to solve a business problem.



Demo Question

Read the case below and then answer the questions.

Lee and Li Medical Group is a medical group that was established in 2000 in Hong Kong. At the beginning, the group only operated a few clinics in different districts. Recently, the owners have decided to expand the business.

The owners recognised that citizens in the Mainland of China are becoming more affluent and are willing to pay for medical check-ups or treatment services. However, Mainland service providers, including medical groups, are not very trusted by the public. On the other hand, Hong Kong service companies have a better reputation among Mainland citizens as quality and reliable service providers. This offers an excellent opportunity for Lee and Li Medical Group to develop its business in the Mainland.

- (a) Use the 4Ps to help Lee and Li Medical Group design marketing strategies for its new clinic in China. (8 marks)
- (b) Assume that Lee and Li Medical Group is a partnership and has decided to expand its business into China. List and explain three financing methods it can use. (3 marks)
- (c) Assume that you are the human resources manager of Lee and Li Medical Group and that you have decided to assign experienced doctors in Hong Kong to work in the Mainland. State and explain two human resources management tasks which would be important for this arrangement. (4 marks)
- (d) List two ways that Lee and Li Medical Group can enter the Mainland market and also lower its risks. (4 marks)



Troubleshooter

- 1 The four questions above are very challenging. Students should have good knowledge and understanding of the four business functions, that is, marketing management, financial management, human resources management and risk management. The questions require students to be able to apply the actions and policies of the functions in a company's daily operations.
- 2 To prepare for the questions concerning management practices, apart from studying the textbooks, students are encouraged to read journals or magazines, like *the Academy of Management Journal*, *The Economist*, *Fortune* and so on. Countless examples and case studies can be absorbed from these reading materials.
- 3 When answering the questions, students have to refer to the business functions one by one. It should be noted that students should refer to the context of the case, that is, the medical group. They should also consider the business environments in Hong Kong and the Mainland of China.



Answers

(a) *Product*

Regarding product strategies, apart from physiological services, Lee and Li Medical Group can provide psychological services as well.

They can also offer medical check-up services as a type of preventative care. (2 marks)

Price

Lee and Li Medical Group should conduct marketing research on clinic fees and the living standards in different districts and charge different prices in different provinces. (2 marks)

Promotions

Health promotion seminars can be held so that more people in China know the clinic's brand name and associate it with a professional image. (2 marks)

Place

Lee and Li Medical Group should establish clinics in affluent provinces. People in poor areas may not be able to afford private medical services. (2 marks)

(Any other reasonable answers)

(b) The Group can use the following financing methods:

- Invite new partners to join the company. (1 mark)
- Ask existing partners to invest more in the company. (1 mark)
- Establish joint ventures with companies in China and ask them to invest in the medical group. (1 mark)

(Any other reasonable answers)

(c) The human resources management tasks which are important for the arrangement:

- Doctors stationed in China should be fluent in Putonghua. If they cannot speak fluent Putonghua, training programmes should be provided.
- The doctors' accommodation in China should be arranged so that they feel comfortable and are willing to transfer to Mainland cities.
- If the doctors have to undertake some administrative duties, management training should be provided.

(Any other reasonable answers)

(Any two of the above, 2 marks for each point)

(d) The ways to enter the Mainland market and lower its risks:

- Enter into a joint venture with a local company so that the risk can be shared. (2 marks)
- Admit a new partner who is familiar with the situation in China. (2 marks)

(Any other reasonable answers)



Revision Exercises

Multiple Choice Questions

(2 marks for each question)

1 Which of the following activities are the duties of a human resources department?

- (i) Issuing a warning letter to an employee who is often late for work
- (ii) Providing fair and attractive compensation to employees
- (iii) Providing training to employees to enhance their capabilities
- (iv) Welcoming a group of journalists who are visiting the company's factory

- A. (i) and (iv)
- B. (ii) and (iii)
- C. (i), (ii) and (iii)
- D. All of the above

2 Which of the following activities are recruitment activities?

- (i) HR officer posts a job advertisement in newspapers.
- (ii) HR officer posts an internal job advertisement on the intranet.
- (iii) HR officer conducts recruitment talks at universities.

- A. (i) and (ii)
- B. (i) and (iii)
- C. (ii) and (iii)
- D. All of the above

3 Which of the following activities is not an example of equity financing?

- A. A company borrows money from banks.
- B. A company issues new shares to obtain more capital.
- C. A company invites its shareholders to pool money in the business.
- D. A company finds strategic partners and invites them to invest in it.

4 Which of the following are the duties of a finance manager?

- (i) Develop and carry out a company's financial plans
- (ii) Monitor the cash flow situation of the company
- (iii) Advise top management on all financial matters
- (iv) Assess investment projects and their returns

- A. (i) and (iii)
- B. (ii) and (iv)
- C. (i), (iii) and (iv)
- D. All of the above

- 5 Which of the following is/are related to operations management in an organisation?
- (i) Carry out quality control processes
 - (ii) Develop an operations system which transforms input into outputs
 - (iii) Manage the warehouse
- A. (i) only
B. (ii) only
C. (ii) and (iii)
D. All of the above
- 6 Which of the following tasks should an operations manager perform when he designs the production process?
- (i) Design the factory layout
 - (ii) Forecast demand
 - (iii) Organise a training course for production workers
 - (iv) Determine the company's production capacity
- A. (i) and (iv)
B. (ii) and (iii)
C. (i), (ii) and (iv)
D. All of the above
- 7 The following units are examples of an operations department except
- A. the accident and emergency unit at a hospital.
 - B. the training department of an international bank.
 - C. the plant of an electrical appliance manufacturer.
 - D. the branches of a fast food chain.
-
- 8 Which of the following descriptions about marketing management is false?
- A. 'Place' in the marketing mix refers to the choice of location of production.
 - B. Basically, the marketing mix consists of four key elements.
 - C. Promotions include a variety of ways to make potential customers learn about products and/or services.
 - D. Before developing a marketing plan, companies must carry out marketing research to search for attractive opportunities.
-
- 9 Which of the following is not a method of organising marketing activities?
- A. Functional structure
 - B. Cost structure
 - C. Product structure
 - D. Geographical structure
-

10 Which of the following statements regarding the functions of marketing management is false?

- A. Develops plans to raise funds for the company
- B. Determines where to sell the products or services
- C. Determines how to sell the products or services
- D. Determines the types of products or services offered to customers

11 Which of the following is not an example of information management?

- A. Disneyland measuring the number of visitors.
- B. Wing On Department Store assessing the wage level of its workers.
- C. Maxim's conducting research to find out its customers' tastes.
- D. JUSCO measuring the sales of its food products.

12 Which of the following statements regarding risk management is false?

- A. All companies face the risks of loss resulting from unexpected events.
- B. If companies want to make a profit, they should reduce the threat of loss from uncontrollable events.
- C. Risk assumption is only used when there is no other way to manage the risks.
- D. Risk management helps a company assess and identify its exposure to various types of risk only.

13 Which of the following activities is not an example of risk reduction?

- A. The government killed all chickens in Hong Kong to prevent the spread of Avian Influenza in 1997.
- B. A bank employs security guards.
- C. A ferry keeps many life jackets onboard.
- D. A local hotel installs smoke detectors.

14 Which of the following is an example of improperly performing a business function?

- A. A human resources department sets workers' wages.
- B. A marketing department sets prices for the products to be sold.
- C. An operations department finds out what customers need.
- D. An information management department establishes a computer network within an organisation.

15 What are the purposes of the '4Ps' in marketing?

- A. The 4Ps are ways used to calculate a marketing budget.
- B. The 4Ps are the basic elements of marketing strategies.
- C. The 4Ps are the indicators for evaluating the effectiveness of a marketing programme.
- D. The 4Ps are the steps in developing marketing strategies.

16 Which of the following are related to financial management?

- (i) Assess different investment projects
- (ii) Determining the breakeven point of a project
- (iii) Paying rent
- (iv) Sourcing machines

- A. (ii) only
- B. (i), (ii) and (iii)
- C. (iii) and (iv)
- D. All of the above

17 Which of the following situations should be handled by a marketing manager?

- (i) One of the company's competitors lowers its product price.
- (ii) The company needs to source an advertising agency.
- (iii) Workers are organising a strike.
- (iv) The company plans to attract a new group of customers.

- A. (i) and (iv)
- B. (ii) and (iii)
- C. (i), (ii) and (iv)
- D. All of the above

18 Candy is the operations manager of a toy manufacturing company. Which of the following tasks is not her duty?

- A. Restocking the plastics which are used to produce toys
- B. Replacing a broken machine
- C. Collecting information about the global toy market
- D. Checking the quality of the toys produced

19 Wing Lee is a retail fashion chain which only sells its own brand of women's wear. Its outlets are distributed in different districts in Hong Kong and the Mainland of China. Which of the following structures for organising marketing activities is most appropriate for Wing Lee?

- (i) Functional structure
- (ii) Geographical structure
- (iii) Customer structure
- (iv) Product structure

- A. (ii) only
- B. (iv) only
- C. (i) and (iii)
- D. All of the above

- 20 Mr Li took out an insurance policy for his newly rented office. Which of the following risk management strategies did he use?
- A. Risk avoidance
 - B. Risk transfer
 - C. Risk assumption
 - D. Risk reduction
-
- 21 Which of the following departments is primarily responsible for sourcing event sponsorship?
- A. Marketing department
 - B. Human resources department
 - C. Financial management department
 - D. Operations department
-
- 22 Ms Hui is the owner of a retail jewellery shop. She hires a night-time security guard to protect the shop's products from being stolen. Which risk management strategy is she using?
- A. Risk avoidance
 - B. Risk transfer
 - C. Risk assumption
 - D. Risk reduction
-
- 23 What is the sequence of the three major steps in the risk management process?
- (i) Selecting the most appropriate ways of managing loss and implementing them
 - (ii) Evaluating and monitoring the effectiveness of risk control measures
 - (iii) Identifying and measuring the level and nature of a loss
- A. (i) → (ii) → (iii)
 - B. (i) → (iii) → (ii)
 - C. (iii) → (i) → (ii)
 - D. (ii) → (i) → (iii)
-
- 24 A catering group wants to bid for the rights to operate the food court at a new mall in Eastern Kowloon. However, after serious consideration, the board of directors decided not to submit a tender, since they feared that the group may suffer a great loss from the investment. The risk management strategy used by the catering group is
- A. risk avoidance.
 - B. risk transfer.
 - C. risk assumption.
 - D. risk reduction.
-

25 Which of the following are the functions of information management?

- (i) Storing useful information for later use
- (ii) Providing timely information to managers for decision-making
- (iii) Allowing managers to understand the overall operations of the company
- (iv) Facilitating communication between staff members at its headquarters and overseas branches

- A. (i), (ii) and (iii)
- B. (i), (ii) and (iv)
- C. (ii), (iii) and (iv)
- D. All of the above

26 Mr Wong is the human resources manager at an airline company. Which of the following tasks is not his duty?

- A. Screening candidates who apply for the position of flight attendants
- B. Negotiating with striking pilots
- C. Attending the 'Best Employer' prize ceremony on behalf of the company
- D. Deciding on which sports event the company will sponsor

27 You are an investor in a Hollywood film. You have invested more than HK\$50 million. Which risk management strategy could you use to manage the risk of poor ticket sales?

- A. Risk avoidance
- B. Risk transfer
- C. Risk assumption
- D. Risk reduction

Short Questions

1 Adrian is the information manager in the marketing department at a credit card company. State two ways he can contribute to this company. (6 marks)

- 2 An US-based personal computer firm plans to enter the market in China. It proposes to build a production plant in China and to sell its products in China as well. Eric is the operations manager of the company. Suppose the CEO has asked Eric to design an effective production process for the new plant. What are the five important tasks that Eric should undertake? (10 marks)

- 3 Mr Leung has recently taken over the position of risk manager at a hotel. What are the three major steps that Mr Leung should follow when he assumes his duties? (6 marks)

- 4 Maggie is a human resources manager at a leading Hong Kong-based bank. Explain the tasks performed by Maggie at the bank. (10 marks)

5 Tommy runs a tutorial centre in Jordan. He wonders whether he needs to develop a financial plan, given that his business is so small.

(a) Explain two advantages for Tommy of preparing a financial plan for his tutorial centre. (4 marks)

(b) Suppose Tommy has decided to develop a financial plan. What tasks are Tommy's responsibility? (6 marks)

(c) The following is the budget prepared by Tommy for the tutorial centre for January 2009.

Tommy's tutorial centre Budget (January 2009)			
Revenue		Costs and expenses	
Tutorial fees	\$60,000	Rent	\$10,000
		Salaries of tutors	\$30,000
		Electricity and water	\$2,000
		Telephone	\$200
		Miscellaneous	\$500

Suppose in January 2009, some tutors request a 50% salary increase and the landlord raises the rent by 50%. How should Tommy make use of the above budget? (4 marks)

- 6 You are the training manager for a call centre unit at a telecommunications company. You have recently employed 12 new staff members. They are responsible for conducting surveys and promoting service plans over the phone. All of them are secondary school leavers without any working experience.

Based on the above information, answer the following questions.

- (a) State and explain three kinds of skills that the new call centre staff should develop. (6 marks)

- (b) Suggest three ways that you can use to train the new call centre staff. (6 marks)

- (c) Suggest three ways to help you determine the training needs of the new staff at the call centre. (6 marks)

- (d) How can your boss evaluate your performance in training new staff? Suggest and explain three methods. (6 marks)

- 7 In Hong Kong, the fast food market is very competitive. Although the market is still growing, competition among different service providers is intensive. It includes Western fast food chains, like McDonald's and KFC, and Chinese fast food chains, like Café de Coral, Fairwood Fastfood etc. As a typical service industry, a strong workforce is one of the competitive edges in the industry. However, staff members have to work on holidays and the working hours are long. Many tasks are manual and physically demanding in nature. However, the salary level is relatively low. Assume you are the human resources manager of a local Chinese fast food chain. How would you perform the following functions to ensure the quality of the workforce at your fast food chain:

- (a) Recruitment and selection (6 marks)

- (b) Performance appraisal (6 marks)

(c) Training and development

(6 marks)

(d) Compensation and benefits

(6 marks)

8 You are the owner of a handbag company. Your office is located in your factory in Yuen Long, where 10 workers are employed.

(a) Identify and elaborate on the four risks your factory faces.

(4 marks)

(b) Based on the risks identified in (a), explain relevant risk management strategies that can be used to combat the four identified risks.

(8 marks)

- 9 Nancy is employed as the Master of Business Administration (MBA) programme director at a local university. Her duty is to ensure the effective implementation of the programme. She is mainly responsible for marketing management relating to the programme.

Considering the nature of the business (i.e., academic programmes), how can Nancy make use of the following elements of the 4Ps for the programme?

- (a) Promotions (4 marks)

- (b) Place (4 marks)

- (c) Price (4 marks)

- (d) Product (4 marks)

Chapter 7 Key Business Functions

Multiple Choice Questions

(2 marks for each question)

- 1 C
- 2 D
- 3 A
- 4 D
- 5 D
- 6 C
- 7 B Answers A, C and D are examples of an operations department in different industries. But in answer B, the training department is a supporting department rather than an operations department.
- 8 A 'Place' in the marketing mix refers to the activities that a company carries out to make its products or services available to buyers, that is, a channel or distribution strategy. It is the place of sales, rather than production.
- 9 B
- 10 A
- 11 B
- 12 D
- 13 A Answer B is an example of risk reduction because employing security guards can reduce the chance of loss from a robbery. Answer C is also a risk reduction strategy because life jackets can reduce loss of life if there is any accident.
- 14 C Finding out what customers need is the duty of the marketing department, rather than the operations department.
- 15 B
- 16 B
- 17 C
- 18 C
- 19 A The company sells only one brand and one kind of product (women's wear), which eliminates choices in product structure. The fashion chain's outlets are located in different areas. This makes the choice of geographical structure more suitable.
- 20 B
- 21 A
- 22 D
- 23 C
- 24 A
- 25 D
- 26 D
- 27 C As you cannot control the ticket sales, you have no choice but to bear the risk of loss yourself.

Short Questions

- 1
- *Data Collection*
Adrian can collect various primary data and secondary data both inside and outside the company. For example, he may collect data about credit card markets, such as sales promotions offered by other credit card companies (i.e., competitors), customers' comments on service quality and so on. (3 marks)
 - *Transforming data into information*
Data alone is not useful to the company because it is meaningless. Adrian should process and analyse the collected data. The data which is processed will become information. Information is useful to managers because it has a meaning.
For example, after collecting data regarding customers' comments on the card design, Adrian may recommend that the production department modify the card design. Or after Adrian has received customers' feedback regarding the customer service of a debt collection department, he can communicate with the department so that the service can be improved. (3 marks)
- 2
- (i) Before building a plant and selling computers in China, Eric has to forecast and estimate customer demand for personal computers in China. The company should plan its production activities based on customer needs. (2 marks)
 - (ii) Eric should then plan the company's production capacity. Production capacity should match customer demand for personal computers. For example, as the expected sales (customer demand) are known, Eric can decide on the number of machines and the amount of components that the company should purchase. (2 marks)
 - (iii) Eric should find a location for the plant. The location chosen should be able to help minimise production costs and increase operational efficiency. For example, Eric may decide to set up the plant in a coastal city which is near the target market. This allows the company to reduce transportation costs. (2 marks)
 - (iv) After choosing a location for the plant, Eric should design the facility layout. He needs to determine the physical arrangement of resources needed for production. For example, Eric may keep each part of the assembly line as near to each other as possible to enhance production efficiency. (2 marks)
 - (v) Finally, Eric should schedule work. He needs to determine how long each production task will take to complete and set starting and ending times for each task. (2 marks)
- (Any other reasonable answers)
- 3
- Step 1*
- Mr Leung should identify the key risk areas at the hotel and measure the potential loss of each of the areas. (1 mark)
 - For example, he has to understand the key risk areas in the three key operation departments in the hotel, namely, front office, housekeeping and catering service. (1 mark)
- Step 2*
- Mr Leung has to choose the most efficient methods of managing loss, such as minimising or avoiding loss. (1 mark)
 - This step involves complicating processes, like comparing the costs and benefits of each risk management method. Some risk management methods may incur costs, like buying insurance or hiring security guards etc. Therefore, Mr Leung should prepare a detailed analysis to win support from the management in financing risk management. (1 mark)

Step 3

- Mr Leung has to monitor how well the risks are controlled after he has implemented risk management measures at the hotel. (1 mark)
- For example, if the property in the hotel is stolen despite the presence of security guards, Mr Leung should consider other measures to manage the risk, like replacing the security guards with more experienced ones or installing closed-circuit televisions in the lobbies, etc. (1 mark)

(Any other reasonable answers)

- 4 (i) Maggie should do human resources planning for the bank. She needs to forecast the number and kinds of workers needed by the bank. For example, in view of the recovery of Hong Kong's economy, the bank may want to recruit 100 (number of workers needed) financial planners (kinds of workers needed). (2 marks)
- (ii) Maggie should be involved in the recruitment and selection task. She needs to identify and attract capable applicants for jobs. For example, she may post a job advertisement in newspapers and on employment websites.
Maggie then has to carry out screening to select the most appropriate candidates to fill the positions. For example, she may conduct a written test to assess the financial knowledge of applicants and group interviews to observe their communication skills. (2 marks)
- (iii) Maggie should offer training and development for the bank's employees. She may use training classes, e-learning and other methods to enhance workers' skills. For example, Maggie may offer a training class on Hong Kong's business laws and regulations to new employees. (2 marks)
- (iv) Maggie should also conduct performance management and appraisals. She may help other departmental managers evaluate workers' performance. For example, she may set some criteria for the evaluation, like sales generated and the number of customers served. (2 marks)
- (v) Maggie should do compensation and benefits management. She may establish an effective compensation system which can motivate workers to work productively. For example, in addition to monetary rewards, the bank may offer free tour packages to financial planners who generate the highest sales. (2 marks)

(Any other reasonable answers)

- 5 (a) • A financial plan can help Tommy forecast a shortage of cash flows and take precautionary actions. For example, after preparing a financial plan, Tommy may discover a shortage of cash flow in July and August (i.e., summer holidays) when no students take tutorial courses at his tutorial centre. Tommy then can take measures (e.g., negotiating with the landlord to reduce rent, persuading tutors to accept suspended salaries, etc) to solve this problem. (2 marks)
- A financial plan can help Tommy forecast his tutorial centre's financial needs over a period of time, such as for the next six months or year, so that he will know whether he has enough funding for operations. For example, Tommy may decide to open a new tutorial centre in Causeway Bay next year. After preparing a financial plan, Tommy may find that the revenues earned in the coming year are not enough to open a new tutorial centre. Then he can obtain funds to meet his financial needs or postpone the expansion plan. (2 marks)

(Any other reasonable answers)

(b) Developing and carrying out a financial plan usually involves three tasks:

- (i) Tommy should first forecast the tutorial centre's financial needs. The forecast predicts revenues, costs and expenses. It may be short term (for a period of one year or less) or long term (for more than one year). (2 marks)

- (ii) Tommy should then develop a budget to meet those financial needs. A budget is a detailed plan of income, costs, expenses and cash flows expected over a period of time. (2 marks)
- (iii) Finally, Tommy should regularly monitor actual revenues, costs and expenses against the financial plan. This helps Tommy find problems and take the necessary remedial action. (2 marks)
- (c) Tommy should compare the actual revenues, costs and expenses in January 2009 with the budget. He incurred a loss of \$2,700 in January.

Tommy's tutorial centre Actual revenue vs. Costs and expenses (January 2009)			
Revenue		Costs and expenses	
Tutorial fees	\$60,000	Rent	\$15,000
		Salaries of tutors	\$45,000
		Electricity and water	\$2,000
		Telephone	\$200
		Miscellaneous	\$500

(2 marks)

After comparing the actual figures with the budget, Tommy has found that the loss is due to increases in tutors' salaries and rent. To solve the problem, Tommy can take action like replacing tutors or relocating the tutorial centre to places where the rent is lower. (2 marks)

(Any other reasonable answers)

- 6 (a) Companies may recruit inexperienced staff. As a result, training and development is essential to enhance the new staff's capabilities. The new staff should develop the following skills:
- Customer service skills: In conducting research, communicating with respondents effectively is not easy. For example, when the new staff has to do surveys over the phone, respondents may hang up or refuse to answer any questions. Therefore, the staff needs to have customer service skills. (2 marks)
 - Selling skills: Selling over the phone is tough. Presenting products to customers is not easy, so training should be provided. (2 marks)
 - Spoken English: As the new call staff are secondary school leavers, they may not be fluent in English. When they phone English speakers, they may have communication problems. Training in spoken English is needed. (2 marks)
- (Any other reasonable answers)
- (b) The ways to train new call centre staff:
- I can use classroom training to train the staff, especially during the initial phase, during which time they are not engaged in job duties. (2 marks)
 - As the new staff work in shifts and have long working hours, more flexible means of training can be used. For example, distance learning packages can be used to enhance their knowledge, skills and attitude. (2 marks)
 - Electronic learning methods (either in-class or online) can also be used, since nowadays most young workers are proficient at using computers. (2 marks)
- (Any other reasonable answers)

- (c) In order to determine the training needs of new staff members, I can
- interview the supervisor of these new staff members to learn more about their needs and performance.
 - interview the human resources manager so as to understand the profiles of these 12 new staff members and the job requirements of the positions.
 - interview the new staff members to determine their knowledge and skill level.
 - interview customers to know more about the demands of the job and the expectations placed on the staff.

(Any other reasonable answers)

(Any three of the above, 2 marks for each point)

- (d) My boss can evaluate my performance by:
- asking participants at training activities to fill out a feedback form or join a focus group. Based on the participants' feedback and their ratings on the training activities, my boss can determine the activities' effectiveness. (2 marks)
 - asking participants to take part in a post-course assessment, like a test or role-playing so as to determine how much they have learned from the training activities. (2 marks)
 - asking the participants' superior to rate their performance after taking the training activities. If the training is effective, their performance in areas in which they have been trained and assessed should improve. (2 marks)

(Any other reasonable answers)

7 (a) *Recruitment and selection*

- I can use many ways to recruit staff. For example, I can launch recruitment programmes at various educational institutions that offer catering programmes, like IVE or Caritas. (2 marks)
- I can introduce a staff referral programme, in which staff invite friends from his or her social network and refer them to the fast food chain. The referring staff will be given a bonus as a reward. (2 marks)
- I can select staff by using the results of aptitude tests and based on the skills they have in customer services. While the candidates' past working experience is one of the indicators, some companies use various methods, like written tests, group interviews and individual interviews to screen candidates. Good candidates should have a good service attitude, service knowledge and service skills. (2 marks)

(Any other reasonable answers)

(b) *Performance appraisal*

- Regarding performance appraisals, I should set clear guidelines for supervisors and managers in managing their staff's performance. (2 marks)
- Performance guidelines should ensure fairness to staff members working in different positions, like cashiers, crew members, managers etc., in different branches.
On the other hand, staff members should be aware of performance requirements when delivering services at the restaurant so that they can adhere to them. (2 marks)
- Also, quality service performance should be identified and rewarded accordingly as a reinforcement for staff to perform better. This can create a quality service culture at the fast food chain. (2 marks)

(Any other reasonable answers)

(c) *Training and development*

- I would do the training needs assessment by interviewing the workers' supervisors. This would help me understand the competency gap between the skills that staff are expected to possess and that staff actually possess. After analysing the training needs, I would organise learning and training activities so as to bridge the competency gap. (2 marks)
- Apart from basic competency training, management development training could be provided to managerial staff and supervisory staff. This could help them lead their staff in confident and competent ways. (2 marks)
- I would also identify potential frontline staff and branch managers and provide them with management development training so as to train and develop their competency in supervisory and managerial capacities. By doing so, it would be easier for the company to promote competent staff in the future, when the need arises. (2 marks)

(Any other reasonable answers)

(d) *Compensation and benefits*

- A compensation and benefits survey should be carried out or subcontracted to consultancy firms. This would help us compare the compensation and benefits of staff in the fast food industry to those in other industries. By doing so, we could design an attractive compensation and benefits package which can persuade talent to join the company. On the other hand, we would also not overpay the staff. (2 marks)
- I would also set a salary scale so that the salary of various positions is fair and impartial. This would help build a good corporate culture. (2 marks)
- I would add incentive and bonus schemes to reward or motivate high performers to excel in their job performance. (2 marks)

(Any other reasonable answers)

8 (a) The four risks my factory faces

- Fire may break out in the factory and lead to property loss. Important documents stored at the office may also be destroyed. (1 mark)
- Accidents happen. For example, machines may injure workers. (1 mark)
- Thieves may steal products. (1 mark)
- Staff may take industrial action, and production may be affected. (1 mark)

(Any other reasonable answers)

(b) My company can use a risk reduction strategy to reduce the occurrence of risks and lessen the impact of risks, which can cause business losses. (1 mark)

- For the risk of fire, I can install automatic sprinkler systems and smoke detectors in the factory. When a fire breaks out, smoke detectors alert staff at the factory, and the sprinklers can help put out the fire so as to minimise the damage. (1.5 marks)
- Some accidents can be prevented by a risk reduction strategy. For example, I may have licensed technicians regularly check machines and equipment. Broken machines should be fixed or replaced as soon as possible. I may also inform workers of safety regulations to reduce the chance of accidents. (1.5 marks)

I can also use a risk transfer strategy to transfer the risk of loss to another party. (1 mark)

- For the risk of theft, I can take out an insurance policy. In the case of the products being stolen, I will be compensated by insurance. (1.5 marks)

- I can also take out an insurance policy to protect my company against the risk of loss resulting from industrial actions. If the staff votes to strike, the insurance company will compensate for losses resulting from production delays. (1.5 marks)

(Any other reasonable answers)

- 9 (a)
- Nancy can promote the programme in the final year classes of bachelor programmes.
 - Nancy can promote the programme in the newsletter of professional associations, like ACCA.
 - Nancy can promote the programme in the Mainland of China, since the target students may not be limited to students in Hong Kong.
 - Nancy can promote the programme at the Education Expo.
 - Nancy can promote the programme on employment websites, since employment and study are closely related, especially for managerial positions.
 - Nancy can promote the programme as an in-service staff development programme at large corporations and public organisations, like the government and the Hospital Authority.

(Any other reasonable answers)

(Any two of the above, 2 marks for each point)

- (b) Apart from traditional classrooms on campus, Nancy can use different 'places' to provide the services.
- Internet (distance learning)
 - Outpost centres in other districts in Hong Kong. For example, if the main campus is located in a Hong Kong Island district, classes can also be held at other centres in the New Territories and Kowloon.
 - Centres outside Hong Kong
 - In-company premises
 - Outpost centres in business districts that are convenient for working students

(Any other reasonable answers)

(Any two of the above, 2 marks for each point)

- (c)
- Prior to setting or reviewing the price, Nancy should find out what the tuition fees are at other MBA programmes.
 - Nancy should calculate the costs of basic input resources (lecturers, venues, handout printing etc) before setting the price.
 - Nancy should calculate the expected markup of the MBA programme before determining the price.
 - Nancy may need to think about the value added to the students before setting the price.

(Any other reasonable answers)

(Any two of the above, 2 marks for each point)

- (d) Regarding the products, Nancy can review the curriculum and syllabus of the whole programme and individual subjects by
- comparing them with those of other MBA programmes.
 - comparing with the knowledge expressed in those subjects.
 - asking students for their opinions.
 - polling employers about their opinions of their MBA graduates.

(Any other reasonable answers)

(Any two of the above, 2 marks for each point)